

VZCZCXRO6062
PP RUEHBC RUEHDE RUEHKUK
DE RUEHIHL #0108/01 1991426
ZNY CCCCC ZZH
P R 181426Z JUL 07
FM REO HILLAH
TO RUEHC/SECSTATE WASHDC PRIORITY 0913
INFO RUCNRAQ/IRAQ COLLECTIVE
RUEHIHL/REO HILLAH 0974

C O N F I D E N T I A L SECTION 01 OF 03 HILLAH 000108

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E.O. 12958: DECL: 7/18/2017
TAGS: [ENRG](#) [ECON](#) [EIND](#) [EPET](#) [PGOV](#) [SOCI](#) [IZ](#) [IR](#)
SUBJECT: DISJOINTED POWER "SYSTEM" PLAGUES BABIL PROVINCE

REF: HILLAH 84

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CLASSIFIED BY: Charles F. Hunter, PRT Leader, PRT Babil, REO
Al-Hillah, U.S. Department of State.
REASON: 1.4 (b)

11. (U) This is a PRT Babil Cable.

12. (C/REL MNF-I) Summary: Babil residents suffer from an acute shortage of electricity from the national grid, averaging between four and six hours of electricity per day. Demand for power from neighborhood and (for those who can afford it) personal generators continues unabated, thereby contributing to the diesel shortage and the rise in black market rates for fuel. Seeking to ease the burden, the provincial council (PC) created an electricity committee tasked with alleviating the shortfall by regulating prices for power produced by neighborhood generators while selling diesel intended for generator operators at discounted prices. In response, operators have curtailed their services and show no inclination to expand their services. The availability of power seldom, if ever, matches demand. Suffering residents have taken to sleeping on their roofs and ice salesmen do a brisk business from roadside stands. The causes of the shortage are many and complex. According to the regional director general for electricity distribution, Babil province suffers from low generating capacity and receives a disproportionately low share of electricity in comparison with the other provinces under his purview. In addition, the steady influx since 2003 of consumer goods and appliances has driven up demand to probably more than double that of the Saddam era. Widespread and flagrant tapping into power lines -- especially those for the emergency grid for essential services -- exacerbates the situation.

ELECTRICITY DG: NOT ENOUGH GENERATING CAPACITY, QUOTA TOO LOW

13. (C/REL MNF-I) PRT Babil recently met with Director General for Electricity distribution for the Middle Euphrates Region Hashim al-Jaafari who alleged that in addition to suffering from low generating capacity, Babil also received a disproportionately low share of electricity in comparison with the other provinces under his purview. In addition to an inefficient gas power plant in al-Hillah (30 MW), Babil receives energy from the Mussayib power plant in north Babil. Al-Jaafari said that although Mussayib has the capacity to generate up to 700 MW per day with all four units operating, in reality the plant usually produces approximately 400 MW per day. Moreover, al-Jaafari claimed that the majority of this energy is sent to Baghdad and asserted that the amount of electricity allocated to Babil province by quota constituted "an injustice." Al-Jaafari contrasted Babil's daily allocation (per the national quota) of 120 megawatts (MW) to Najaf's 100 MW, Karbala's 90 MW, and Diwaniya's 70 MW and noted that while Babil's allocation topped

the other four provinces under his oversight, the numbers were not in proportion to its population. Indeed, al-Jaafari said that Babil's 120 MW were far from his estimate of the province's needs of 300-320 MW. In a separate meeting, Provincial Council (PC) energy committee chair, Bassem al-Janabi concurred with this assessment and added that 25 of the 120 MW intended for Babil province is restricted to volatile mixed Sunni-Shi'a northern Babil (out of all proportion to the population of the rest of the province which is overwhelmingly Shi'a). (Note: Iraq Transition Assistance Office (ITAO) reports that electricity generated in Mussayib and sent outside the South Central region goes to Basrah rather than Baghdad. ITAO corroborated Al-Jaafari's assertion that Babil's quota is too low by noting that Babil's 5.5 percent of the national population is assigned a mere 2.7 percent of power from the national grid. End note.)

DG (CONT'D): "GUARANTEED" 10 AMP SUPPLY . . . BUT NOT FOR 24
HRS. . . .

¶4. (C/REL MNF-I) Al-Jaafari reiterated the Ministry of Electricity policy that customers will not be charged market rates for power until generation matches demand. He conceded that current demand is probably at least twice that prior to 2003 and expounded on a new offer of a steady ten-ampere supply from the national grid, which Jaafari cited as sufficient for emergency needs such as lighting and air conditioning. (Note: Nearly all air conditioning units now sold in Iraq require more than ten amperes. End note.) Subscribers to this plan receive a breaker that limits the current to a maximum of ten amperes for which they pay ID 2 per ampere per day. Jaafari cited over 11,000 subscribers to this plan in the South Central region thus far, including 2,000 in Babil and 8,000 in Najaf. Yet, while he enthusiastically touted the conservation effects of this plan, he cautiously added that even subscribers to the ten ampere

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program would suffer service interruptions of between two and four hours per day. (Comment: Civil Affairs at post estimates that the operational and maintenance costs for the ten ampere breakers most likely exceed the cost of the electricity saved by operating the system. End comment.)

RELIANCE ON GENERATORS = ELECTRICITY PRICES TIED TO FUEL PRICES

¶5. (U) Like their fellow Iraqis in other provinces, Babil residents rely on multiple sources of electricity to meet their daily needs. Most residents receive an additional several hours of power from neighborhood generator operators, while those who can afford it will supplement the neighborhood generator with a personal one. The heavy reliance on generators has the effect of tying electricity prices to fuel prices. In Babil, the PC has intervened by moving to enforce a ID 6,000 per ampere price on electricity from neighborhood generators. In return, it allows generator operators to purchase their fuel at a discounted price. Yet despite this PC intervention, alternative sources of electricity do not come cheaply to Babil residents, some of whom pay close to half a month's salary for electricity from different sources outside the national grid. Faced with a cap on profits, some neighborhood generator operators have curtailed services. Local staff, who typically represent the relatively affluent segment of Iraqi society report paying between ID 70,000 and ID 90,000 for approximately five to six hours of power per day from personal generators in addition to roughly ID 20,000 to ID 30,000 for roughly the same amount of time from the neighborhood generator. Even they report being unable to run some appliances due to insufficient voltage as well as going several hours per day without any power at all. For many Babil residents, sleeping on the roof has become the norm during the summer months despite the mosquitoes. Solar

panels are now discussed as another option, and a few prosperous residents have installed units to generate electricity for lighting and refrigeration.

BUSINESS COMMUNITY: PRICE OF GENERATORS DRIVES UP PRODUCTION COSTS

¶6. (U) Babil businessmen -- particularly those in the manufacturing sector -- have also complained about the burden the inconsistent electricity supply places on their overhead costs. Recently, members of business organizations expressed the view that electricity shortages caused Babil factories to shut their doors. Indeed, a member of the business development group opined that the need to rely on private generators has driven consumer costs for electricity to higher levels than they would be had the national grid sold power at market rates (reftel).

COMMENT

¶7. (C/REL MNF-I) Comment: To a large degree, Babil's story reflects that of much of the rest of Iraq. The steady increase in the availability of consumer goods and appliances since 2003 has strained an already broken system. Indeed, to explain the provincial reaction to the power crunch without mention of the national grid is impossible. Undoubtedly, electricity production (and most likely capacity, too) is insufficient to meet Babil's demands. The absence of a price mechanism provides no incentive for consumers to conserve what limited electricity the national grid has in order to maximize the number of hours of power availability from that source. That said, the lack of daily electricity running for a full 24 hours per day and sold at market rates makes it virtually impossible to determine just what the province's needs really are. Moreover, the GOI's inability to control flagrant tapping into the power grid further limits fair and regular access to power for the average customer, while the PC-imposed price ceiling on power from neighborhood generators serves as a disincentive for enterprising operators to expand their services. The lack of market prices on the national grid contributes to a situation where the actual price paid by Babil residents for power from private generators most likely exceeds the prices they would pay for regularly available power from the national grid if it were sold at market prices and if there were a sufficient supply generated. Yet it is the inability of the national grid to generate sufficient power that forces consumers to turn to the more expensive generators. Consequently, the high prices for non-grid sources of electricity cut into consumer spending and impede business development -- particularly in the manufacturing sector. The availability of a regular and sufficient supply of power -- preferably through the grid -- forms an essential prerequisite not only to economic growth in Babil province but

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also to the development of a functioning democratic system. Not only does the lack of enough electricity carry the hazards of inciting severe popular discontent, it can also be seen as an indicator that as long as the GOI is unable to provide basic services, the terrorists and insurgents will have prime hunting grounds to replenish their ranks with new recruits and volunteers. End Comment.
HUNTER